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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

The Honorable Reed E. Hundt, Chairman  
The Honorable James H. Quello, Commissioner  
The Honorable Andrew C. Barrett, Commissioner  
The Honorable Susan Ness, Commissioner  
The Honorable Rachelle B. Chong, Commissioner  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554-0001

Re: Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers (CC Docket No. 95-185) and Equal Access and Interconnection Obligations Pertaining to Commercial Mobile Radio Service Providers (CC Docket No. 94-54)

Dear Chairman Hundt and Commissioners Quello, Barrett, Ness and Chong:

The undersigned organizations actively represent the interests of residential and business consumers of telecommunications in federal and state legislative and regulatory proceedings.

We strongly support the Commission's proposal to institute a "bill and keep" ("B&K") approach for local interconnection charges between local wireline and Commercial Mobile Radio Service ("CMRS") services. Under B&K, each local telephone company and each cellular or PCS company will bill for the calls originated by its customers, and will be obligated to accept and complete calls that originate on other networks at no fee to that network. This is the same system that neighboring local telephone companies have generally applied to each other's traffic for decades.

We believe this approach has a number of benefits. It will: eliminate the largest single barrier to the rapid growth of new wireless competition; encourage lower wireless prices; facilitates wireless to offer competition to local telephone service; and avoid requiring the Commission and private parties to engage in complicated, expensive proceedings to set interconnection rates for both wireline and CMRS carriers.

#### Immediate Savings to Consumers

We believe B&K will produce significant consumer benefits. Currently, wireless companies add an "interconnection surcharge" to each wireless call (typically around 10 cents) to recoup the per minute termination fees charged by local exchange carriers ("LECs"). The entry of more competitors into the wireless business should lead service providers to pass these cost savings along to consumers.

In addition, the B&K proposal will eliminate the largest current regulatory barrier to the rapid growth of PCS service. One of the major costs and concerns of the multiple new PCS competitors in each market is the cost of interconnection with the local telephone company. B&K removes that

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as an economic and regulatory barrier. The first PCS competitor in the Washington, DC market is already charging less than the cellular incumbents, and offering more services. B&K will provide increased momentum to this new competition, and that competition will increase this downward pressure on wireless prices.

### Medium and Long Term Savings to Consumers

We believe wireless may eventually be an effective alternative to local wireline telephone service for many consumer needs. Consumers were major beneficiaries when competition was introduced into equipment, long distance, and international service markets -- more choices and lower prices resulted. Local service is the final monopoly. Wireless has the potential of becoming a competitor in many segments of the local service marketplace -- but not when today's average cellular caller pays 3 cents per minute to complete a call on the local telephone company's network. Wireless will never be more than a niche or add-on market as long as the average wireline customer pays \$19 for 1200 minutes of use and a wireless user must pay over \$36 in LEC access charges alone for the same volume of usage. These charges by themselves are an insuperable barrier to wireless competing with local wireline service. That barrier should be removed.

### Current Traffic Imbalances

B&K recognizes that people call and get called and thus that telephone traffic does and should go both ways. Originating and terminating wireless traffic flow is not balanced today, in large part because local telephone companies have little incentive to encourage calls to wireless. Thus, it is probably true that one transitional result of B&K will be to reduce revenues to LECs. But these amounts do not appear to be large, and the loss should be made up quickly by the general growing volume of calls to wireless phones, and by simple supplementary services LECs can offer related to wireless phones (e.g. directory assistance for wireless numbers, call completion to wireless numbers, etc.).

We believe that the removal of today's regulatory skewing will mean that two-way traffic will balance out income to telephone providers. Competition will force down prices and increase services, thus benefitting consumers. But it will also increase overall demand and revenue which will benefit both new competitors and incumbent providers -- as it has done in all other communications markets after competition was introduced.

### What is the Alternative?

The current one-sided system of charges will clearly be replaced. Theoretically, "mutual compensation" could be justified. But what is the "right" price? Should the Commission set an individual price based on the costs of every carrier (wireline and wireless)? If one price is set for all, it seems clearly arbitrary. In either case, there will be long, drawn-out regulatory battles over the "right price" of interconnection. And for what purpose? If, over time, traffic patterns equalize, the market will take care of "fair" compensation -- and consumers can benefit from savings from avoided regulatory transaction costs.

### Jurisdictional Issues

We have great respect for the role of state PUCs in telephone regulation. However, the unique statutory system for wireless, and the multi-state nature of the PCS MTA license areas, which is relatively closely matched by the practical service areas which have developed for cellular service, make it appropriate for the Commission to make this decision.

### Timing

We support rapid implementation of B&K, at least on an interim basis. We do not object if some parties want to conduct in-depth cost studies -- as long as that does not delay action. If traffic imbalances persist after several years, the Commission can always revisit this issue.

Respectfully yours,

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